



30 October 2018

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: economics.sen@aph.gov.au

Dear Senate Standing Committee on Economics

Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia (WA). CME is funded by its member companies who are responsible for most of the State's mineral and energy production and are major employers of the resources sector workforce in the State.

In 2016-17, the value of Western Australia's mineral and petroleum industry was \$105 billion. Iron ore is currently the State's most valuable commodity, and saw an increase in iron ore sales by almost 31 per cent on the previous financial year to value almost \$64 billion. Petroleum products (including LNG, crude oil and condensate) followed at \$19 billion, with gold third at \$11 billion, both commodities saw an increase in sales of 5 per cent 7 per cent respectively from the previous financial year.

The resources sector is a major contributor to the state and the Australian economy. The estimated value of royalties the state received from the resources sector composed of \$5.21 billion (Iron Ore – \$3.6 billion) which accounts for around 19 per cent of the Western Australian Government's revenue.

Demand for rare earth elements is driven by niche uses, primarily in the high-tech industries. They have applications in nuclear reactors, consumer electronics, electric and hybrid vehicles, batteries, lighting (phosphors) and lasers. However, the dominant driver of growth for many key rare earths (including neodymium, dysprosium and praseodymium) is the growth in demand for high-powered permanent magnets, primarily used in electric vehicles (which require high-powered magnets for efficient electric motors) and wind turbines.

If encouraged, the emerging critical and energy minerals market could generate hundreds of billions of dollars in revenue in coming decades and underpin the new wave of clean technology being adopted around the world.

Given the importance of the critical energy minerals sector, the proposed \$4 million cap to the Research and Development (R&D) Tax Incentive Scheme will impact energy material projects and force them to develop very slowly or not at all.

The Northern Minerals Browns Range project which is situated in very remote region of the Kimberley, developed a pilot plant to process hard rock ionic clay deposits for dysprosium and terbium. Financing the pilot stage of the process presented technical challenges as this method of processing had not been done before. The R&D Tax Rebate was vital in financing the establishment of the pilot stage and provided the

opportunity for Northern Minerals to assess the economic and technical feasibility of a larger full-scale development and be able to conduct further R&D.

The funds accessed by Northern Minerals through the R&D rebate have added to the company's confidence in undertaking detailed studies into hard rock heavy rare earths mining and processing. This has resulted in innovative enhancement initiatives as the Project has progressed through its development phases.

CME would like to acknowledge and support the recommendations contained in the Northern Minerals submission to this Senate Committee process, in particular the proposal where the current R&D arrangements have been used to finance the project, these arrangements should be grandfathered in 2018-19 to allow projects to be completed according to their planned financing structure. This arrangement would support advanced projects rather than new projects.

CME notes the proposed amendments to the legislation provide an exemption for clinical trials due to their national and international importance. CME recommends the Committee give serious consideration in applying this exemption to strategic minerals projects given the potentially significant contribution to the national economy and the international importance of these minerals in helping transition the world to a green economy.

Should you have any questions regarding this letter, please contact [REDACTED]
Manager Economic Competitiveness on [REDACTED] or [REDACTED]

Yours sincerely

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Paul Everingham
Chief Executive